



April 27, 2015

Ms. Wanda Paduano
President
Blades School of Hair Design
22576-316 MacArthur Blvd, Box 226
Sans Souci Plaza
California, MD 20619-0226

Sent via Email and UPS
Tracking Number:
1ZA879640298248613

RE: **Expedited Final Program Review Determination Letter**
OPE ID: 03027200
PRCN: 201530328982

Dear Ms. Paduano:

From April 13, 2015 through April 16, 2015, Ms. Nancy Della Vecchia and Ms. Katie Bartges conducted a review of Blades School of Hair Design's (Blades') administration of the programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs). The purpose of this Final Program Review Determination Letter is to close the program review.

The focus of the review was to determine Blades' compliance with the statutes and federal regulations as they pertain to the institution's administration of Title IV programs. The review consisted of, but was not limited to, an examination of Blades' policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2013-2014 and 2014-2015 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and social security numbers of the students whose files were examined during the program review.

Protection of Personally Identifiable Information (PII):

PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth). The loss of PII can result in substantial harm, embarrassment, and inconvenience to individuals and may lead to identity theft or other fraudulent use of the information. Appendix A was encrypted and sent separately to the institution via e-mail.

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning Blades' specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures.

Federal Student Aid

AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION

School Participation Division – Philadelphia

100 Penn Square East, Suite 511, Philadelphia, PA 19107

Furthermore, it does not relieve Blades of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

The School Participation Division - Philadelphia has made a Final Program Review Determination concerning the findings that were identified during the program review. Following is a discussion of the findings identified and the resolution of those findings.

Finding # 1: Inaccurate Common Origination and Disbursement (COD) Reporting

Citation:

An institution makes a disbursement of Title IV, HEA program funds on the date that the institution credits a student's account at the institution or pays a student or parent directly with: funds received from the Secretary, funds received from a lender under the FFEL Programs, or institutional funds used in advance of receiving Title IV, HEA program funds. 34 C.F.R. § 668.164(a)(1).

The Federal Register published February 28, 2013 established reporting deadlines to the Common Origination and Disbursement System (COD) for Federal Pell Grant and Direct Loan disbursement. Institutions are required to report disbursement information and adjustments to previously reported disbursement data to COD no later than: (1) 30 calendar days for disbursements that occurred prior to April 1, 2013, and (2) 15 calendar days for disbursements that occur on or after April 1, 2013. (Federal Register Volume 78, Number 40).

The institution must report the date the funds were made available to the student. The disbursement date must be reported as the date the funds were disbursed to the borrower by posting funds to the student's account at the school or paying the borrower directly. (*November 2010 Electronic Announcement: Direct Loan Processing Information – Making Disbursement Adjustments and Reducing Direct Loan Awards to Zero.*)

Noncompliance:

Blades reported inaccurate disbursement dates to COD for students # 5, 14, and 15. The following chart provides additional details.

Student #	Program	Amount	Date Blades Credited Funds to Student Account	Disbursement Date Blades Reported to COD
5	Federal Pell Grant	\$1,850	07/05/2013	04/11/2013
	Federal Pell Grant	\$1,850	08/15/2013	07/03/2013
14	Federal Pell Grant	\$4,484	03/06/2014	02/28/2014
	Federal Direct Subsidized Loan	\$1,732	03/06/2014	02/28/2014
	Federal Direct Unsubsidized Loan	\$ 990	03/06/2014	02/28/2014
15	Federal Pell Grant	\$2,248	06/09/2014	05/30/2014
	Federal Direct Subsidized Loan	\$1,732	06/09/2014	05/30/2014
	Federal Direct Unsubsidized Loan	\$2,969	06/09/2014	05/30/2014

An institution's failure to report accurate disbursement dates to COD may result in increased interest costs for the Department and the individual students. Several terms and conditions of Direct Loans are tied to the actual disbursement date reported to COD, including interest accrual and the 120-Day Rule regarding the return of funds, as well as the origination fee and interest rate that apply to the loan.

Institutional Action Taken to Resolve Noncompliance:

The institution's financial aid director reported to the on-site review team that she established a new practice to address this COD disbursement date reporting issue. As of the Department's April 2015 program review, the new practice had been in place for approximately one calendar year. The review team found no instances of incorrect disbursement date reporting in its review of the 2014-2015 award year.

Final Program Review Determination:

Blades has taken the corrective actions necessary to resolve this finding. Therefore, Blades may consider this finding closed with no further action required.

Finding # 2: Federal Direct Loan Funds Disbursed During a Leave of Absence (LOA)

Citation:

An institution may not credit a student's account or release the proceeds of a loan to a student who is on an approved LOA. 34 C.F.R. 682.604(c)(4)(2013).

Noncompliance:

Blades disbursed Federal Direct Subsidized Loan funds in the amount of \$1,485 and Federal Direct Unsubsidized Loan funds in the amount of \$660 to student # 12 on September 9, 2013, on which date the student was on an approved LOA. Student # 12's LOA ran September 9 – 20, 2013. Student # 12 did return from the LOA and completed the payment period for which the loan funds were disbursed.

Disbursing loan funds to a student who is on an approved LOA may result in increased expense for both the Department and the student.

Institutional Action Taken to Resolve Noncompliance:

Because the student did return from the LOA there was no corrective action needed in this instance.

Final Program Review Determination:

Blades may consider this finding closed with no further action required.

Finding # 3: Failure to Identify Federal Funds to Bank

Citation:

For each bank or investment account that includes title IV, HEA program funds, an institution must clearly identify that Title IV, HEA program funds are maintained in that account by: including in the name of each account the phrase "Federal Funds;" or by notifying the bank or investment company of the accounts that contain Title IV, HEA program funds and retaining a record of that notice; and, (except for a public institution) filing with the appropriate State or municipal government entity a UCC-1 statement disclosing that the account contains federal funds and maintaining a copy of that statement. 34 C.F.R. § 668.163(a)(2).

Noncompliance:

Blades' Direct Loan bank account title did not contain the phrase "Federal Funds." Blades was unable to demonstrate that it had alternately notified the bank and filed a UCC-1 statement.

An institution's failure to notify its financial institution that its accounts contain federal funds may result in increased expense for the Department.

Institutional Action Taken to Resolve Noncompliance:

During the on-site review, Blades contacted its bank to update the title of the account. Blades must submit documentation of the change no later than May 15, 2015.

Final Program Review Determination:

Blades contacted its bank to update the title of the account. Blades must submit documentation of the change no later than May 15, 2015.

Record Retention:

Program records relating to the period covered by the program review must be retained until the later of: resolution of the loans, claims or expenditures questioned in the program review; or the end of the retention period otherwise applicable to the record under 34 C.F.R. § 668.24(e).

We would like to express our appreciation for the courtesy and cooperation extended during the review. If you have any questions concerning this report, please call Ms. Della Vecchia at (215) 656-6444.

Sincerely,

A black rectangular redaction box covering the signature of Nancy Paula Gifford.

Nancy Paula Gifford
Division Director

cc: Ms. Elizabeth Halvosa, Financial Aid Administrator
National Accrediting Commission of Career Arts and Sciences
Maryland Higher Education Commission
Department of Defense
Department of Veterans Affairs
Consumer Financial Protection Bureau